

| | | | | |
|---|--|--|--|---|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Pioneer Township | | County Missaukee |
| Audit Date 3/31/04 | | Opinion Date 1/17/05 | | Date Accountant Report Submitted to State: January 25, 2005 |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

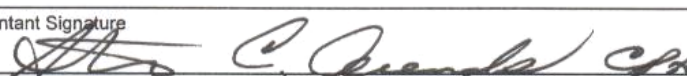
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|--|-------------------------|------------------------|
| Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C. | | | |
| Street Address 134 W. Harris Street | | City Cadillac | State MI |
| | | ZIP 49601 | |
| Accountant Signature  | | | Date 1/24/05 |

PIONEER TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

MARCH 31, 2004

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

MARCH 31, 2004

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 17, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Pioneer Township
Missaukee County
Lake City, Michigan

We have audited the accompanying general-purpose financial statements of Pioneer Township, Missaukee County, Lake City, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I. B, the Township's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of each of the various funds of Pioneer Township, Missaukee County, Lake City, Michigan as of March 31, 2004, and the cash receipts received and disbursements paid of such funds for the year then ended on the basis of accounting described in Note I. B.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND ACCOUNT GROUP

MARCH 31, 2004

| | <u>GOVERNMENTAL FUND TYPES</u> | | <u>FIDUCIARY</u> |
|---------------------------------|--------------------------------|----------------|------------------|
| | | <u>SPECIAL</u> | <u>FUND TYPE</u> |
| | <u>GENERAL</u> | <u>REVENUE</u> | <u>AGENCY</u> |
| <u>ASSETS</u> | | | |
| Cash | | | |
| Commercial Account | \$ 8,662 | \$ 0 | \$ 13 |
| Money Market Account | 149,149 | 5,186 | 0 |
| Taxes Receivable | 2,247 | 0 | 0 |
| Land and Land Improvements | 0 | 0 | 0 |
| Buildings | 0 | 0 | 0 |
| Machinery and Equipment | 0 | 0 | 0 |
| Furniture and Fixtures | 0 | 0 | 0 |
| | | | |
| TOTAL ASSETS | \$ 160,058 | \$ 5,186 | \$ 13 |
| | | | |
| <u>LIABILITIES AND EQUITY</u> | | | |
| <u>LIABILITIES</u> | | | |
| Deferred Revenue | \$ 2,247 | \$ 0 | \$ 0 |
| Payroll Deductions Payable | 152 | 0 | 0 |
| | | | |
| TOTAL LIABILITIES | \$ 2,399 | \$ 0 | \$ 0 |
| | | | |
| <u>EQUITY</u> | | | |
| Investment in General | | | |
| Fixed Assets | \$ 0 | \$ 0 | \$ 0 |
| Balance | | | |
| Reserved for | | | |
| Road Maintenance | 0 | 5,186 | 0 |
| Unreserved | 157,659 | 0 | 13 |
| | | | |
| Total Equity | \$ 157,659 | \$ 5,186 | \$ 13 |
| | | | |
| TOTAL LIABILITIES AND EQUITY | \$ 160,058 | \$ 5,186 | \$ 13 |

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

| <u>ACCOUNT GROUP</u> <u>GENERAL</u> <u>FIXED ASSETS</u> | <u>TOTAL</u> <u>(MEMORANDUM</u> <u>ONLY)</u> |
|---|--|
| \$ 0 | \$ 8,675 |
| 0 | 154,335 |
| 0 | 2,247 |
| 5,311 | 5,311 |
| 41,150 | 41,150 |
| 5,285 | 5,285 |
| 7,872 | 7,872 |
| <u>\$ 59,618</u> | <u>\$ 224,875</u> |
| | |
| \$ 0 | \$ 2,247 |
| 0 | 152 |
| <u>\$ 0</u> | <u>\$ 2,399</u> |
| | |
| \$ 59,618 | \$ 59,618 |
| 0 | 5,186 |
| 0 | 157,672 |
| <u>\$ 59,618</u> | <u>\$ 222,476</u> |
| | |
| <u>\$ 59,618</u> | <u>\$ 224,875</u> |

The accompanying notes are an integral part of these financial statements.

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MARCH 31, 2004

| | <u>GOVERNMENT FUND TYPES</u> | | <u>TOTALS</u> |
|---|------------------------------|----------------------------|------------------------------|
| | <u>GENERAL</u> | <u>SPECIAL REVENUE</u> | <u>(MEMORANDUM ONLY)</u> |
| <u>RECEIPTS</u> | | | |
| Taxes | \$ 24,575 | \$ 0 | \$ 24,575 |
| State Grants | 33,480 | 0 | 33,480 |
| Charges for Services | 1,491 | 0 | 1,491 |
| Interest and Rents | 1,514 | 33 | 1,547 |
| Other Receipts | 234 | 0 | 234 |
| | | | |
| Total Receipts | \$ 61,294 | \$ 33 | \$ 61,327 |
| | | | |
| <u>DISBURSEMENTS</u> | | | |
| Legislative | | | |
| Township Board | \$ 5,275 | \$ 0 | \$ 5,275 |
| General Government | | | |
| Supervisor | 4,800 | 0 | 4,800 |
| Assessor | 7,735 | 0 | 7,735 |
| Clerk | 5,122 | 0 | 5,122 |
| Board of Review | 893 | 0 | 893 |
| Treasurer | 8,206 | 0 | 8,206 |
| Building and Grounds | 18,985 | 0 | 18,985 |
| Cemetery | 1,331 | 0 | 1,331 |
| Public Safety | 4,955 | 0 | 4,955 |
| Public Works | 0 | 2,039 | 2,039 |
| Recreation and Culture | 60 | 0 | 60 |
| Other Functions | 5,658 | 0 | 5,658 |
| | | | |
| Total Disbursements | \$ 63,020 | \$ 2,039 | \$ 65,059 |
| | | | |
| Excess of Receipts Over (Under) Disbursements | \$ (1,726) | \$ (2,006) | \$ (3,732) |
| | | | |
| <u>BALANCE - April 1, 2003</u> | 159,385 | 7,192 | 166,577 |
| | | | |
| <u>BALANCE - March 31, 2004</u> | \$ 157,659 | \$ 5,186 | \$ 162,845 |

The accompanying notes are an integral part of these financial statements.

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

| | GENERAL FUND | | |
|--|--------------|------------|---|
| | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
| <u>RECEIPTS</u> | | | |
| Taxes | \$ 24,776 | \$ 24,575 | \$ (201) |
| State Grants | 30,000 | 33,480 | 3,480 |
| Charges for Services | 1,553 | 1,491 | (62) |
| Interest and Rents | 2,000 | 1,514 | (486) |
| Other Receipts | 200 | 234 | 34 |
| Total Receipts | \$ 58,529 | \$ 61,294 | \$ 2,765 |
| <u>DISBURSEMENTS</u> | | | |
| Legislative | | | |
| Township Board | \$ 6,500 | \$ 5,275 | \$ 1,225 |
| General Government | | | |
| Supervisor | 5,200 | 4,800 | 400 |
| Assessor | 8,500 | 7,735 | 765 |
| Clerk | 5,500 | 5,122 | 378 |
| Board of Review | 900 | 893 | 7 |
| Treasurer | 8,200 | 8,206 | (6) |
| Building and Grounds | 19,000 | 18,985 | 15 |
| Cemetery | 2,200 | 1,331 | 869 |
| Public Safety | 5,500 | 4,955 | 545 |
| Public Works | 0 | 0 | 0 |
| Recreation and Culture | 1,000 | 60 | 940 |
| Other Functions | 6,500 | 5,658 | 842 |
| Total Disbursements | \$ 69,000 | \$ 63,020 | \$ 5,980 |
| Excess of Receipts Over (Under) Disbursements | \$ (10,471) | \$ (1,726) | \$ 8,745 |
| <u>BALANCE</u> - April 1, 2003 | 159,385 | 159,385 | 0 |
| <u>BALANCE</u> - March 31, 2004 | \$ 148,914 | \$ 157,659 | \$ 8,745 |

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

| SPECIAL REVENUE FUND TYPES | | |
|----------------------------|------------|---|
| BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
| \$ 0 | \$ 0 | \$ 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 150 | 33 | (117) |
| 0 | 0 | 0 |
| <hr/> | | |
| \$ 150 | \$ 33 | \$ (117) |
| <hr/> | | |
| \$ 0 | \$ 0 | \$ 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 2,039 | (2,039) |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| <hr/> | | |
| \$ 0 | \$ 2,039 | \$ (2,039) |
| <hr/> | | |
| \$ 150 | \$ (2,006) | \$ (2,156) |
| 7,192 | 7,192 | 0 |
| <hr/> | | |
| \$ 7,342 | \$ 5,186 | \$ (2,156) |
| <hr/> | | |

The accompanying notes are an integral part of these financial statements.

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Pioneer Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has no long-term debts which would be recorded in the general long-term debt account group.

The Township has the following fund types:

Governmental funds are used to account for the Township's general government activities. The Township uses the flow of economic resources measurement focus and the modified cash basis of accounting for these funds which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed.

Governmental funds include the following fund type:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

accounting. This fund is used to account for property tax collections which the township makes and distributes for others in an agency capacity.

C. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township allows the Township Treasurer to invest Township funds in the following instruments: Certificates of Deposit, Savings Accounts, Deposit Accounts or Depository Receipts of a bank which is a member of a Federal Deposit Insurance Corporation, but only if the Bank, Savings and Loan Association, meet all the criteria as a depository of public funds contained in state law.

2. Receivables and Payables

Under the modified cash basis of accounting, the only noncash asset recorded is a receivable for uncollected property taxes. This receivable is entirely offset by a deferred revenue liability account so that income is only recognized when cash is received.

3. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

4. Fund Equity

Reservations of balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

5. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

6. Use of Estimates

This presentation of financial statements on the modified cash basis of accounting requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budgets are adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 29, 2003, or as amended by the Township Board from time to time throughout the year.

The appropriated budgets are prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Excess of Disbursements Over Appropriations

Disbursements of \$2,039 exceeded appropriations of \$0 by \$2,039 in the Road Fund. This over expenditure was funded by available beginning balance.

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year-end, the carrying amount of the Township's regular deposits was \$163,010, and the bank balance was \$163,259. Of the bank balance, \$108,737 was covered by federal depository insurance. The remaining \$54,522 are in accounts which exceed the federal depository insurance unit of \$100,000 and also are uncollateralized.

The Township's carrying amount of deposits at year-end are shown below:

| | GENERAL FUND | ROAD FUND | CURRENT TAX COLLECTION FUND |
|----------------------|-------------------|-----------------|--------------------------------------|
| Chemical Bank West | | | |
| Lake City, Michigan | | | |
| Commercial Account | \$ 8,662 | \$ 0 | \$ 0 |
| Money Market Account | 149,149 | 5,186 | 13 |
| TOTAL | <u>\$ 157,811</u> | <u>\$ 5,186</u> | <u>\$ 13</u> |

B. Fixed Assets

Activity in the general fixed assets account group for the Township for the year ended March 31, 2004, was as follows;

| | BALANCE 4/1/03 | ADDITIONS | DELETIONS | BALANCE 3/31/04 |
|-----------------------------|-------------------|------------------|-------------|--------------------|
| <u>GENERAL FIXED ASSETS</u> | | | | |
| Land and Land Improvements | \$ 5,311 | \$ 0 | \$ 0 | \$ 5,311 |
| Buildings | 26,150 | 15,000 | 0 | 41,150 |
| Machinery and Equipment | 5,285 | 0 | 0 | 5,285 |
| Furniture and Fixtures | 7,872 | 0 | 0 | 7,872 |
| | <u>\$ 44,618</u> | <u>\$ 15,000</u> | <u>\$ 0</u> | <u>\$ 59,618</u> |

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

IV. OTHER INFORMATION

A. Lake Missaukee Area Fire Authority

The Lake Missaukee Area Fire Authority is a joint venture by and between the City of Lake City and the townships of Caldwell, Forest, Lake, Pioneer, and Reeder. This joint venture was created to provide fire protection for the listed governments. Each municipality pays an annual base amount equal to one-half of one mill of taxable value of the real property located in the areas of the municipality covered by this agreement. In addition, the Township pays \$150 per fire run within the Township.

In addition to the annual contribution, each township is required to contribute monies in order to construct a fire station and purchase fire equipment.

For the year ended March 31, 2004, the Township contributed a total of \$2,655 to the Fire Authority.

The following financial information was taken from the Fire Authority's March 31, 2003 audited financial statements:

| | |
|---|--------------|
| Total Assets | \$ 1,235,721 |
| Investment in Fixed Assets | 1,175,195 |
| Balance - Unreserved | 60,526 |
| Total Receipts | 104,057 |
| Total Disbursements | 83,002 |
| Net Increase (Decrease) in Fund Balance | 21,055 |

A copy of these audited financial statements may be obtained upon request from the Fire Authority treasurer.

B. Fire Protection Contracts

The Township has a contract with Norwich Township and paid \$2,000 for fire protection for the period July 1, 2003 to July 1, 2004.

C. Retirement Plan

The Township has a money purchase plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. Each employee is 100% vested upon entering the plan. An employee's normal retirement date is the later of age 65, or at the completion of five years of plan participation.

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

The formula for determining contributions is based on an employee's annual compensation. The Township contributes 15% of annual compensation.

For 2003-2004, covered wages and total wages were \$18,906. Township contributions to the plan for 2003-2004 amounted to \$2,534. In addition, the Township paid a \$185 administrative fee.

D. Property Taxes

The Township levied 1.2536 mills for general operating purposes on a taxable value of \$10,192,430 on the 2003 tax roll.

Properties are assessed January 1 and the related property taxes become a lien on December 1 of the same year. These taxes are due on or before February 14, with a final collection date of February 28, before they are added to the county tax rolls. Property taxes levied December 1, which are collected prior to the end of the fiscal year are recognized as income in the year in which they are levied.

E. Interest Income and Expense

For the year ended March 31, 2004, interest income and expense was as follows:

| | INTEREST | |
|--------------|-----------------|-------------|
| | INCOME | EXPENSE |
| General Fund | \$ 1,542 | \$ 0 |
| Road Fund | 33 | 0 |
| | <u>\$ 1,575</u> | <u>\$ 0</u> |

NOTE - Interest earnings in the Current Tax Collection Fund is periodically transferred to the General Fund and is shown as General Fund interest income.

F. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continued to carry insurance for other risks of loss, including fidelity bonds.

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

| | |
|----------------------|------------------------------|
| Cash | |
| Commercial Account | \$ 8,662 |
| Money Market Account | 149,149 |
| Taxes Receivable | <u>2,247</u> |
| TOTAL ASSETS | \$ <u><u>160,058</u></u> |

LIABILITIES AND EQUITY

LIABILITIES

| | |
|----------------------------|--------------|
| Deferred Revenue | \$ 2,247 |
| Payroll Deductions Payable | <u>152</u> |
| TOTAL LIABILITIES | \$ 2,399 |

EQUITY

| | |
|----------------------------------|------------------------------|
| Balance | |
| Unreserved | <u>157,659</u> |
| TOTAL LIABILITIES AND EQUITY | \$ <u><u>160,058</u></u> |

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

| | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
|---|-------------|------------|---|
| <u>RECEIPTS</u> | | | |
| Taxes | \$ 24,776 | \$ 24,575 | \$ (201) |
| State Grants | 30,000 | 33,480 | 3,480 |
| Charges for Services | 1,553 | 1,491 | (62) |
| Interest and Rents | 2,000 | 1,514 | (486) |
| Other Receipts | 200 | 234 | 34 |
| Total Receipts | \$ 58,529 | \$ 61,294 | \$ 2,765 |
| <u>DISBURSEMENTS</u> | | | |
| Legislative | | | |
| Township Board | \$ 6,500 | \$ 5,275 | \$ 1,225 |
| General Government | | | |
| Supervisor | 5,200 | 4,800 | 400 |
| Assessor | 8,500 | 7,735 | 765 |
| Clerk | 5,500 | 5,122 | 378 |
| Board of Review | 900 | 893 | 7 |
| Treasurer | 8,200 | 8,206 | (6) |
| Building and Grounds | 19,000 | 18,985 | 15 |
| Cemetery | 2,200 | 1,331 | 869 |
| Public Safety | 5,500 | 4,955 | 545 |
| Recreation and Culture | 1,000 | 60 | 940 |
| Other Functions | 6,500 | 5,658 | 842 |
| Total Disbursements | \$ 69,000 | \$ 63,020 | \$ 5,980 |
| Excess of Receipts Over (Under) Disbursements | \$ (10,471) | \$ (1,726) | \$ 8,745 |
| <u>BALANCE - April 1, 2003</u> | 159,385 | 159,385 | 0 |
| <u>BALANCE - March 31, 2004</u> | \$ 148,914 | \$ 157,659 | \$ 8,745 |

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH RECEIPTS
FOR THE YEAR ENDED MARCH 31, 2004

TAXES

| | | |
|---------------------------------------|-----------|-----------|
| Current Property Taxes | \$ 10,480 | |
| Delinquent Property Taxes | 1,776 | |
| Payments in Lieu of Taxes - Swamp Tax | 12,311 | |
| Commercial Forest | <u>8</u> | |
| Total Taxes | | \$ 24,575 |

STATE GRANTS

| | | |
|-----------------------|--|--------|
| State Revenue Sharing | | |
| Sales and Use Tax | | 33,480 |

CHARGES FOR SERVICES

| | | |
|----------------------------|-------------|-------|
| Dog License Fees | \$ 1 | |
| Sale of Cemetery Lots | 200 | |
| Summer Tax Reimbursement | <u>1290</u> | |
| Total Charges for Services | | 1,491 |

INTEREST AND RENTS

| | | |
|-------------------|--|-------|
| Interest Earnings | | 1,514 |
|-------------------|--|-------|

OTHER RECEIPTS

| | | |
|---------------|--|------------|
| Miscellaneous | | <u>234</u> |
|---------------|--|------------|

| | | |
|---------------------|--|-------------------------|
| TOTAL CASH RECEIPTS | | <u><u>\$ 61,294</u></u> |
|---------------------|--|-------------------------|

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE

| | | |
|----------------------------|----|-------|
| Township Board | | |
| Personal Services | | |
| Salaries and Wages | \$ | 2,400 |
| Supplies | | |
| Operating Supplies | | 215 |
| Other Services and Charges | | |
| Professional Services | | 2,148 |
| Printing and Publishing | | 76 |
| Dues and Fees | | 366 |
| Miscellaneous | | 70 |
| | | <hr/> |
| Total Legislative | \$ | 5,275 |

GENERAL GOVERNMENT

| | | |
|----------------------------|-------|-------|
| Supervisor | | |
| Personal Services | | |
| Salaries and Wages | \$ | 4,800 |
| Assessor | | |
| Supplies | | |
| Office Supplies | \$ | 263 |
| Other Services and Charges | | |
| Contracted Services | <hr/> | 7,472 |
| | | 7,735 |
| Clerk | | |
| Personal Services | | |
| Salaries and Wages | \$ | 4,800 |
| Supplies | | |
| Office Supplies | | 37 |
| Other Services and Charges | | |
| Contracted Services | <hr/> | 285 |
| | | 5,122 |
| Board of Review | | |
| Other Services and Charges | | |
| Contracted Services | \$ | 723 |
| Education | <hr/> | 170 |
| | | 893 |

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

Treasurer

Personal Services

Salaries and Wages \$ 6,606

Salaries and Wages - Deputy 40

Supplies

Office Supplies 464

Other Services and Charges

Contracted Services 1,096 8,206

Building and Grounds

Other Services and Charges

Contracted Services \$ 1,025

Public Utilities 2,960

Capital Outlay 15,000 18,985

Cemetery

Other Services and Charges

Contracted Services 1,331

Total General Government

47,072

PUBLIC SAFETY

Fire Protection

Personal Services

Salaries and Wages \$ 300

Other Services and Charges

Aid to Other Governments 4,655

Total Public Safety

4,955

RECREATION AND CULTURE

Parks and Recreation

Other Services and Charges

Contracted Services 60

OTHER FUNCTIONS

Insurance and Bonds \$ 2,419

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

| | | | |
|------------------------------|----|------------|-------------------------|
| Employee Benefits | | | |
| Pension Contribution | \$ | 2,719 | |
| Medicare and Social Security | | 213 | |
| Workers' Compensation | | <u>307</u> | <u>3,239</u> |
| Total Other Functions | | | <u>5,658</u> |
| TOTAL CASH DISBURSEMENTS | | | <u><u>\$ 63,020</u></u> |

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

ROAD FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

| | |
|----------------------|----------|
| Cash | |
| Money Market Account | \$ 5,186 |

LIABILITIES AND EQUITY

| | |
|--------------------|------|
| <u>LIABILITIES</u> | \$ 0 |
|--------------------|------|

EQUITY

| | |
|------------|-------|
| Balance | |
| Unreserved | 5,186 |

| | |
|------------------------------|----------|
| TOTAL LIABILITIES AND EQUITY | \$ 5,186 |
|------------------------------|----------|

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

ROAD FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

| | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
|---|----------|------------|---|
| <u>RECEIPTS</u> | | | |
| Interest Earnings | \$ 150 | \$ 33 | \$ (117) |
| <u>DISBURSEMENTS</u> | | | |
| Public Works | | | |
| Highways, Streets and Bridges | | | |
| Other Services and Charges | | | |
| Repairs and Maintenance | 0 | 2,039 | (2,039) |
| Excess of Receipts Over (Under) Disbursements | \$ 150 | \$ (2,006) | \$ (2,156) |
| <u>BALANCE</u> - April 1, 2003 | 7,192 | 7,192 | 0 |
| <u>BALANCE</u> - March 31, 2004 | \$ 7,342 | \$ 5,186 | \$ (2,156) |

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

| | | |
|------|----|----|
| Cash | \$ | 13 |
|------|----|----|

LIABILITIES AND EQUITY

| | | |
|--------------------|----|---|
| <u>LIABILITIES</u> | \$ | 0 |
|--------------------|----|---|

EQUITY

Balance

| | | |
|------------|--|----|
| Unreserved | | 13 |
|------------|--|----|

| | | |
|------------------------------|----|----|
| TOTAL LIABILITIES AND EQUITY | \$ | 13 |
|------------------------------|----|----|

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

| | | |
|--------------------------------|------------|------------|
| Current Tax Collections | \$ 244,282 | |
| Commercial Forest | 132 | |
| Summer Tax Interest | 81 | |
| Dog License Fees | 45 | |
| Interest Earnings | 21 | |
| Overcollections from Taxpayers | 638 | |
| | | |
| Total Receipts | | \$ 245,199 |

DISBURSEMENTS

| | | |
|---|-----------|------------|
| Payments to County Treasurer | | |
| Current Tax | | |
| County | \$ 58,660 | |
| County - State Education Tax | 47,138 | |
| Commercial Forest | 132 | |
| Summer Tax Interest | 81 | |
| Dog License Fees | 44 | |
| | | \$ 106,055 |
| Payments to Township Treasurer | | |
| Current Tax | \$ 10,480 | |
| Dog License Fees | 1 | |
| Interest Earnings | 45 | |
| | | 10,526 |
| Payments to School Treasurer | | |
| Current Tax | | |
| Lake City Area Schools | | 78,064 |
| Payments to Intermediate School Treasurer | | |
| Current Tax | | |
| Wexford-Missaukee Intermediate | | 49,940 |
| Refunds to Taxpayers for Overcollections | | 636 |
| | | |
| Total Disbursements | | 245,221 |
| | | |
| Excess of Receipts Over (Under) Disbursements | | \$ (22) |
| <u>BALANCE</u> - April 1, 2003 | | 35 |
| | | |
| <u>BALANCE</u> - March 31, 2004 | | \$ 13 |
| | | |

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FIXED ASSETS GROUP OF ACCOUNTS

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
FOR THE YEAR ENDED MARCH 31, 2004

| | BALANCE 4/1/2003 | ADDITIONS | DELETIONS | BALANCE 3/31/2004 |
|---|---------------------|------------------|-------------|----------------------|
| <u>GENERAL FIXED ASSETS</u> | | | | |
| Land and Land Improvements | \$ 5,311 | \$ 0 | \$ 0 | \$ 5,311 |
| Buildings | 26,150 | 15,000 | 0 | 41,150 |
| Machinery and Equipment | 5,285 | 0 | 0 | 5,285 |
| Furniture and Equipment | 7,872 | 0 | 0 | 7,872 |
| | <u>\$ 44,618</u> | <u>\$ 15,000</u> | <u>\$ 0</u> | <u>\$ 59,618</u> |
| <u>INVESTMENT IN GENERAL FIXED ASSETS</u> | <u>\$ 44,618</u> | <u>\$ 15,000</u> | <u>\$ 0</u> | <u>\$ 59,618</u> |

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 2003 WINTER TAX ROLL
MARCH 31, 2004

TAXES ASSESSED

| | | | |
|------------------------|----|---------------|------------|
| County | \$ | 70,983 | |
| Township | | 12,727 | |
| School | | | |
| Lake City Area Schools | | 96,156 | |
| Intermediate School | | | |
| Wexford-Missaukee | | <u>60,928</u> | \$ 240,794 |

TAXES COLLECTED

| | | | |
|------------------------|----|---------------|----------------|
| County | \$ | 58,660 | |
| Township | | 10,480 | |
| School | | | |
| Lake City Area Schools | | 78,064 | |
| Intermediate School | | | |
| Wexford-Missaukee | | <u>49,940</u> | <u>197,144</u> |

TAXES RETURNED DELINQUENT

| | | | |
|------------------------|----|---------------|------------------|
| County | \$ | 12,323 | |
| Township | | 2,247 | |
| School | | | |
| Lake City Area Schools | | 18,092 | |
| Intermediate School | | | |
| Wexford-Missaukee | | <u>10,988</u> | <u>\$ 43,650</u> |

PIONEER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 2003 SUMMER TAX ROLL
MARCH 31, 2004

TAXES ASSESSED

County

State Education Tax

\$ 50,772

TAXES COLLECTED

County

State Education Tax

47,138

TAXES RETURNED DELINQUENT

County

State Education Tax

\$ 3,634

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
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JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 17, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Pioneer Township
Missaukee County
Lake City, Michigan

During the course of our audit of the general-purpose financial statements of Pioneer Township for the year ended March 31, 2004, we noted the following items:

Government Accounting Standards Board (GASB) Statement 34

The Government Accounting Standards Board has issued a new pronouncement that will dramatically change the way governmental entities report their financial information. For Pioneer Township, GASB 34 will become effective for the year ending March 31, 2005.

Some of the changes required by GASB 34 are as follows:

- a) Management's discussion and analysis will be the first thing in a financial report. This will be the administration's narrative overview of the information contained in the financial statements.
- b) The budgetary comparison information must report the original adopted budget and the final amended budget.
- c) Capital assets and long-term liabilities will be required to be reported in the balance sheet. The depreciation on the capital assets will then be reported as an expense in the statement of revenues and expenses. With this change, the financial statements of a government entity will look similar to a for-profit business financial statements.

We are available to advise you and offer assistance on how to proceed with steps needed to meet GASB 34 requirements.

Payroll Recording and Reporting

During the year, the Township recorded payroll expense at net amounts in the General Fund ledger. We recommend that all pay be recorded at gross amounts with appropriate payroll tax withholdings also being recorded. In addition, we recommend that the payroll expense recorded in the journal be reconciled to quarterly payroll tax returns prior to filing the quarterly returns.

Reportable Condition in Internal Controls

In planning and performing our audit of the general-purpose financial statements of Pioneer Township for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We have included a separate letter (letter of reportable conditions) which addresses those items noted.

Budgeting

One General Fund category exceeded the budgeted amount. Also, total expenditures in the Road Fund exceeded the total budgeted expenditures. The budget should always be amended prior to incurring expenditures in excess of budgeted amounts. All amendments should be approved by the Township Board and be recorded in the minutes.

General Recordkeeping

The accounting records for the year ended March 31, 2004, were found to be in good order and in compliance with the State's uniform accounting system. We commend the clerk and treasurer for a job well done and encourage them to keep up the fine effort.

We would like to thank the Board for its continued confidence in our firm and to thank the Township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 17, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Pioneer Township
Missaukee County
Lake City, Michigan

In planning and performing our audit of the general-purpose financial statements of Pioneer Township, Missaukee County, Lake City, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.